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MANAGED FOR PRIVATE PROFIT?

BY

GEO. W. WARREN,

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in compliance with the request of friends desiring copies, that edition having been early exhausted, and will be followed soon with

WHO ARE THE DEMORALIZED NOW ?

Is the Treasury of the United States Managed for Private Profit?

That an affirmative answer must be given to this question, is the growing conviction of the business men of this country and of the financial circles of Europe; and this conviction is the primary cause of the paralysis which is everywhere manifest in the business affairs of our own country and of the low state of our credit abroad. Want of confidence *is* felt at home and abroad.

Credit and prosperity have their foundation in confidence, and are not to be found when this is wanting.

For the first time in our history, the prosperity of the business community is entirely dependent upon the wise management of the public Treasury; and, for the first time in our history, we see that department managed for the benefit of speculators.

Whether this is intentional, or whether it is the want of skill, of shrewdness, or of judgment, on the part of those having control of the Treasury, is the problem we should like to solve.

When we consider the fact that the financiers of New York have a controlling voice in the direction of financial affairs at Washington, we might, perhaps, consider

that a sufficient answer to all the questions that force themselves upon our attention; but it is *this very fact* which we have to account for. Why *should* the financiers of New York (a city the least American of all our Northern and Western cities, whose merchants are speculators, and whose financiers are Wall-street gamblers who care more for personal gain than the prosperity of the country) have this control of the National Treasury? As soon might one expect a loyal President to look to South Carolina for *political*, as an honest and able Secretary of the Treasury to the city of New York for *disinterested financial counsel.*

If we go back to the administration of Mr. Chase, we are unable to decide whether New-York influence, or his own vain desire to publish the rate of interest in his returns at four per cent and a fraction, — by including his issue of greenbacks, — induced him to issue his last two hundred millions of greenbacks, rather than sell his 5.20 bonds at less than par value, thereby doubling the cost of every article of supplies which the government was purchasing, and adding thus hundreds of millions to the national debt.

We are unable to decide, for the reason that this was the first great inflation which filled the pockets of the speculators, and sharpened their appetites for future opportunities of the same kind.

With the closing months of the administration of Mr. Chase, the gold receipts for duties increasingly exceeded the interest payments in gold, thereby causing an accumulation of gold in the Sub-Treasury, and taking from the market that which was already scarce; the amount in the Sub-Treasury April 1, 1864, in New York alone, reaching twenty-six millions, seven hundred and seven-

ty-eight thousand, six hundred and eighty-three and fifty-one one-hundredths dollars (26,778,683.51), having steadily increased from five millions, nine hundred and fourteen thousand, five hundred and fifty-six and seventy-eight one-hundredths dollars (5,914,556.78), and the premium from twenty-seven (27) to sixty-seven (67) as steadily; and the major part of that held by the New-York banks was locked up by the State laws, and the agreement of the banks to hold in their vaults the same amount as was held at the time of suspension, thereby leaving but a small amount of *free gold upon the market,* and tempting speculators to make a corner on gold.

On the 14th of this same April, 1864, we wrote to a Massachusetts senator in Washington, calling his attention to this danger, and saying that we could, with a half dozen men no stronger than ourselves, make a corner on gold, and, if made, that we could as easily run gold up to three hundred as two hundred. We received a "thank you" for our pains, and looked on to see others make the corner we had foreseen and endeavored to prevent.

Within three weeks the movement we had feared was commenced in New York by parties never friendly to the "Northern Uprising;" and, the first week in July, gold touched 285½.

The acceptance of the Treasury Department by Mr. Fessenden gave great relief and joy to the loyal conservative financial men of the country; for they knew well that he had not favored so great an inflation of the currency, and that all the money the Government wanted, the people were *bound* to give, and that the more it cost, without inflation, the further it would go in buying supplies.

In Mr. Fessenden the gold-gamblers found their master. Soon after entering upon his office (Aug. 20), he ordered the pre-payment of interest coupons to November inclusive. Gold was then 157 premium. For a few days the influence of this order was not felt in the market: holders of coupons could not tell whether gold was going higher or lower; if higher, they wanted to hold on; if lower, to sell. The gamblers were equally in doubt: there was no fixed amount for them to measure and "carry." They hesitated; and their hesitation weakened the market. Holders of coupons began to sell; and this carried down the premium and hurried up the sellers; for a "falling market will always be well supplied." The premium rapidly fell off, touching as low as 85 before the first of October; thus demonstrating the advantage of a daily supply to the market to meet the daily demand, and the *folly* of the present management, which makes a daily demand for gold to be locked up in the sub-treasury, without any returning daily supply.

"The London Times" of about the same date as the order of Secretary Fessenden, in one of its usual *friendly* articles upon our finances, positively assured its readers, that "the United States might possibly pay the September coupons, but would never be able to pay the November, in gold." When we were reading that article here, the order of our Secretary was received in London, and gave new confidence to our friends abroad, and the lie to the London croaker.

We were constantly hearing objections made to the interference of the government with the gold market in its sales of gold, but *never* to its *combination to "bull the market."*

We say combination; for no organization of bankers and brokers could compare in *power* with the law, which requires every importer to go into the market, every day in the year, to buy gold to pay into the sub-treasury, there to be locked up, and only paid out, in part, *six times* a year (the amount for duties in 1865, paid in, reaching $176,000,000, while the amount paid out for interest was only $72,000,000: we omit the odd numbers), tempting thus even the loyal "to carry" the fixed amounts, as the needy importers *must* come to them for supplies, and *pay their price*, until the Government let out another moiety.

How we cry out against the avaricious speculator, who, in time of famine, locks up his granaries, that he may thereby increase the scarcity, whilst this legal hoarding on the part of the Government, which is continually enhancing the value of gold, and forcing upon the foreign markets all our securities — government bonds, State bonds, railroad bonds, and stocks, &c. — at a ruinous depreciation, awakens no outcry!

In a letter dated Frankfort, one of the first bankers of Europe, after speaking of the evil influence of Butler's raid upon the 5-20s, says, "The steadiness of the high gold prices with you also contributes to the uneasiness here: the fact is, that, after several years of peace, forty per cent premium on gold is a great disappointment. Look at Austria, which has been considered almost a bankrupt, and yet gold is not above twenty per cent, and Italy ten and twelve per cent premium."

No comment necessary.

Mr. Fessenden retired from the Treasury March 4, 1865, to resume his place in the Senate.

During his administration the gold in the sub-treasury was *not* allowed to accumulate. The amount in the New-York sub-treasury, as reported from month to month, with little variation for the eight months, averaged eleven millions, six hundred thirty-seven thousand, nine hundred and thirty and seventy-seven one-hundredths dollars ($11,637,930.77); being on the 1st of March, three days before his retirement ($14,-368,734.52), fourteen millions, three hundred and sixty-eight thousand, seven hundred and thirty-four and fifty-two-one-hundredths dollars; and the price of gold ninety-eight (98) premium, with the Rebellion still unconquered.

With the incoming of Mr. McCulloch, the system of accumulation was revived; but the overwhelming influence of the glorious victories of our brave and patriotic soldiers, and the destruction of the rebel armies, — we wish we could say, in truth, the end of the Rebellion, — carried the premium on gold rapidly down until it touched, May 11, 28¾ premium.

In entering upon the review of the administration of Mr. McCulloch, we should be false to our convictions of duty if we hesitated to own, at the outset, that we have been most unwillingly brought to the conclusion, that the Treasury *is* now managed for the benefit of private interests, and *not* for the public weal. Whether this is from want of ability on the part of those having control of our national finances, — and we are not forgetting that Congress has to take its full share of the responsibility, — or whether it is because the managers have *an interest* in the profits arising from the *secret manipulations* of the public funds, we shall leave our readers to judge, only remarking that it is a little sin-

gular that the public should so generally look upon Mr. McCulloch as belonging to Jay Cooke & Co., and talk of his being sent by them to London as their agent, when he seems to be of so much more service to them at Washington than he could possibly be at London.

But let us see the evidence that brings to such conclusions.

Every one who has watched the foreign market has *invariably* seen the value of our securities — all, national, State, and corporate — advancing there with every fall in the price of gold here, and falling with every advance in the same, — (to quote from another Frankfort letter, "*Nos variations suivent celles de l'or chez vous*," — our variations (in bonds) follow the variations of gold with you), — keeping all the while at about $\frac{1}{4}$ of one to one per cent *above* our home *gold* price, thus making them available as *bills of exchange* to an amount exceeding twenty-five millions a month for the last two and a half years, drawing them continually from us, at the least possible advance, at a sacrifice of more than one-third of the value, on the average of the two and a half years, and this to pile up gold in the Treasury. For example, 5-20 bonds in London, at the time when Mr. McCulloch made his promise to resume specie payments, July 1, 1868, did not return us two-thirds of a dollar in gold; and yet, by hoarding gold, he was making it scarcer and dearer, and forcing these bonds upon Europe at this ruinous sacrifice, when, if we resume specie payment at the time promised, we must pay the full value. In other words, the Government were making a loan *for the people*, for say two and a half years, at six per cent gold interest, receiving two-thirds only of the principle, paying thus exactly twenty-two and

one-third per cent interest in gold premium, and this not to bring gold into the country, but *merchandise;* for it is a fact that the bankers of London were obliged, at different times, to empty the bonded warehouses of London of staple foreign merchandise, — teas, coffee, sugar, &c., — to ship to this country to settle balances, as shipping specie would reduce the price with us so much as to destroy the calculated profits.

Furthermore, the general importations were greatly increased, to our loss, by the abundance of money produced by these forced sales of securities abroad, and the inflations of values continued by this forced advance in the price of gold, consequent upon the withdrawing so large an amount from the market, and placing it beyond the reach of the business community, the amount having exceeded one hundred millions.

One would think that the loss of five or six millions annual interest would prevent such an immense accumulation of idle capital; but when we consider, further, that every dollar of gold hoarded forced ten thousand times that amount of our public securities upon a foreign market at gold rates, — 10,000 for 1, — at an actual loss to the people, when settling-day comes, of more than one-third value, we must estimate the actual loss to the country at some hundreds of millions of dollars.

Had Mr. McCulloch followed the example of Secretary Fessenden, which had proved its value and power during a time of war, the market would have been left to itself, the regular movements of business would have brought things down to "hard pan," we should have been able to resume specie payments with this new year, 1868, and greenbacks and national bank bills

would to-day have been as good as gold or silver dollars. We went through the war without foreign loans, and we should have been wiser and more *independent* if we had kept our bonds at home since the peace ; for now we have near eight hundred millions securities on the other side held against us, putting further off the day of resumption, — for we must bring the foreign market value to tally with our own before we can resume specie payments, — otherwise they will come back upon us.

This was the point for a wise and honest secretary of the Treasury to make — a good credit in foreign markets. Had the gold market been left to itself, with no accumulation in the Treasury, we should have kept our bonds at home until they were better appreciated abroad, and at least half the amount now held there would have been saved to the country.

We should read in the New-York papers with surprise, did we not know that such articles are bought and paid for, the opinion, that, "with one hundred and fifty millions in the Treasury, we could resume specie payment:" four times that amount would not offset the influence of the bonds that would come back upon us, with the present difference in the home and foreign values of our securities.

If we really want to resume specie payments, we must bring the mercantile value of gold down to par: this we can do by making it plenty, not by making it scarce. As we reduce the price of gold, we can reduce the amount of currency; reducing the amount of currency will greatly help the reduction of the price of gold. With gold at par to-day, five-sevenths of the amount of to-day's circulation would go as far as the

whole amount we now have with gold at 40 per cent premium.

Stop the accumulation of gold in the Treasury by giving a daily supply from it, equal to the daily demand; call in your circulation as rapidly as the price of gold is reduced, — and you will see the value of our securities abroad go up as rapidly as the price of gold goes down with us. But how can we call in our circulation to accomplish this? Nothing more simple. Establish, at each of the great cities of our country, points of redemption, at which our national bank bills shall be redeemed in greenbacks for the present; and you will send home the bank bills, equallize the circulation, and give specie *power* to the greenback for this work of redemption, and rid the country of its surplus circulation if there is any. Now we have a surplus of circulation in one place, and a short supply in another; surplus of small bills here, scarcity there; and the same with the larger denominations. Redeem bank bills with greenbacks, and you will soon be able to redeem greenbacks with gold, and the motion to repudiate 5-20s will be indefinitely postponed. Greenbacks are now, and always should be, more popular with the people than bank bills, and there is no reason why the public treasury should not have the benefit of all the circulation needed for the business of the country.

Balances at the Clearing Houses are now settled with greenbacks instead of specie as formerly, and they are much more convenient and just as good for that service.

Very little specie will be needed *for home use* when a greenback will give us its promise in gold. It is a well-settled principle in economic science, "that the quantity of specie necessary in any country depends

very much upon the method of doing business, and has no relation to the quantity of commodities." With us, specie is *not* popular as a currency; and with the resumption of specie payments by the Government, and bank bills redeemed in greenbacks, it would only be needed, to any amount, to settle foreign balances.

Experience having taught us that "at all times and places that is dear which it is difficult to come at," we regard the hoarding of gold to the enhancement of the price thereof, with its consequent sacrifice of our securities in foreign markets, as a part of the secret system of the manipulation of the business of the U. S. Treasury Department for the benefit of private interests. It is not for the interest of *speculators* that gold should be brought to par value.

The position of Government bankers, *under this secret system,* is of *enormous* value. Intrusted with the secret of every new movement in advance of the public, with the immense amount of sales on time daily made, the profits of this advantage can be reckoned by millions in the last three years. A statement in a New-York paper gave the *sales* of Government bonds, by Jay Cooke & Co., in their New-York branch alone, as rising [*six lines omitted, as the amounts have been disputed since publication*]. When we add to the transactions in Government bonds, those in gold, State bonds, railroad stocks and bonds, and other securities, all influenced more or less by the price of gold, the sum total of the daily transactions in New York alone is *enormous;* and the speculators and gamblers of that city could afford to pay to the *powers that be* a million a month to continue the present secret system of management of the U. S. Treasury affairs. With gold at par these serious fluctuations would disappear.

With *public* notice of Treasury movements, the whole public could bid for the supply of Government wants, as was the case during the administration of Mr. Chase, and confidence in the *honesty* of the management would be restored at home and abroad.

Look at the orders for conversion of Government bonds: first we have the order to convert *all* 7–30s to 5–20s; then stop conversion of June and July issue, and only convert August issue; then stop all conversion; sell 5–20s; then stop sales, and convert August issues again.

Then the secret sales at times of Government bonds, without notice to the public — what can all this mean but advantage to the agents who have notice in advance of the public of these changes, and can make their contracts accordingly? These things ought not so to be.

We see members of Congress and public servants growing richer every day, and the honest business men poorer; the tax-gatherers riding in their carriages, and the active and industrious tax-payers trudging on foot. How can this be, and no corruption?

Why this fearful paralysis of the great business activities of the country, and this feverish and frantic activity of *speculation,* — to call it by its softest term, — if there is no want of confidence in the honesty of the management of the National Treasury?

There is an *irrepressible conflict* between speculation and business. When speculators thrive, the mechanical, manufacturing, and mercantile interests suffer. That legislation which fosters the one destroys the other.

AMPLIUS.